Sun Art Retail Group Limited

(Incorporated in Hong Kong with limited liability)
Stock Code: 6808

2015 Interim Report






16 New Stores

No.1 hypermarket in the nation in terms of market share [(1)]

388 Stores Nationwide

Auchan 欧尚 | 大润发 RT-Mart | 飞牛网 feiniu.com | FIELDS A Taste of Quality

Source: (1) Data from Euromonitor in 2014

DIRECTORS

Executive Directors

Bruno, Robert MERCIER *(Chief Executive Officer)*
HUANG Ming-Tuan

Non-Executive Directors

CHENG Chuan-Tai *(Chairman)*
Benoit, Claude, Francois, Marie, Joseph LECLERCQ
Philippe, David BAROUKH
Xavier, Marie, Alain DELOM de MEZERAC

Independent Non-Executive Directors

Karen Yifen CHANG
Desmond MURRAY
HE Yi

AUDIT COMMITTEE

Desmond MURRAY *(Chairman)*
CHENG Chuan-Tai
Xavier, Marie, Alain DELOM de MEZERAC
Karen Yifen CHANG
HE Yi

REMUNERATION COMMITTEE

Karen Yifen CHANG *(Chairman)*
CHENG Chuan-Tai
Philippe, David BAROUKH
Desmond MURRAY
HE Yi

NOMINATION COMMITTEE

HE Yi *(Chairman)*
CHENG Chuan-Tai
Philippe, David BAROUKH
Karen Yifen CHANG
Desmond MURRAY

COMPANY SECRETARY

HO Siu Pik, FCIS, FCS (PE)

AUTHORISED REPRESENTATIVES

Bruno, Robert MERCIER
HO Siu Pik

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LEGAL ADVISOR

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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road, Central, Hong Kong

COMPANY'S WEBSITE

www.sunartretail.com

STOCK CODE

6808

HIGHLIGHTS OF INTERIM RESULTS

	For the six months ended 30 June		
	2015	2014	**Change**
	RMB million	*RMB million*	
	Unaudited		
Revenue	**50,708**	48,038	5.6%
Gross Profit	**11,425**	10,523	8.6%
Profit from Operations	**2,190**	2,495	(12.2%)
Profit for the Period	**1,522**	1,789	(14.9%)
Profit Attributable to equity Shareholders of the Company	**1,476**	1,710	(13.7%)
Earnings Per Share ("EPS") – Basic and diluted[(1)]	**RMB0.15**	RMB0.18	

Note:

(1) The calculation of basic and diluted EPS for the six months ended 30 June 2015 and 2014 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the periods.

BUSINESS REVIEW

Operating environment

In the first half of 2015, China's gross domestic product ("**GDP**") grew by 7% to approximately RMB29.69 trillion. Inflation was soft with the consumer price index ("**CPI**") increasing by 1.3%. The national average disposable income per capita was RMB10,931, a nominal growth of 9% year-on-year.

Total retail sales of consumer goods in China reached RMB14.16 trillion, a nominal growth of 10.4% year-on-year. According to China Nation Commercial Information Center, sales for the 50 key retailers, a gauge for offline retail sales, grew by 1.1% year-on-year. National online retail sales for the period amounted to RMB1,645.9 billion, a growth of 39.1% over last year. Online physical products sales grew by 38.6% to RMB1,375.9 billion which accounted for 9.7% of total retail sales.

Steady and prudent expansion of network

In the first half of 2015, Sun Art Retail Group Limited (the "**Company**"), together with its subsidiaries (the "**Group**") opened 16 new hypermarket complexes, of which 2 were under the Auchan banner and 14 were under the RT-Mart banner. Of the new stores, 5 were located in Eastern China, 3 in Northern China, 4 in Central China, 1 in North-Eastern China, 3 in Southern China. Please refer to note 1 for the definitions of regional zones.

As of 30 June 2015, of the Group's stores, approximately 9% were located in first-tier cities, 17% in second-tier cities, 45% in third-tier cities, 21% in fourth-tier cities and 7% in fifth-tier cities. Please refer to note 2 for the definitions of tiers.

During the period under review, the Group took an even more prudent view in looking for potential opportunities to open new stores. As of 30 June 2015, through execution of lease contracts or acquisition of land plots, the Group had identified and secured 146 sites to open hypermarket complexes, of which 100 were under construction, ensuring sufficient land reserves for the Group's expansion in the next three years and laying a solid ground for the Group's development in the medium term.

As of 30 June 2015, the Group had a total of 388 hypermarket complexes across the country, with a total gross floor area ("**GFA**") of approximately 10,637,372 sq.m., of which approximately 68% were operated in leasehold spaces and 32% were in self-owned properties. As of 30 June 2015, the number of stores and their GFA in each major region of China are set forth below:

Region	Number of hypermarket complexes (As of 30 June 2015)			Total GFA of hypermarket complexes (sq.m.) (As of 30 June 2015)		
	Auchan	RT-mart	Total	Auchan	RT-mart	Total
Eastern China	43	115	158	1,834,683	2,827,545	4,662,228
Northern China	7	38	45	216,810	907,113	1,123,923
Northeastern China	2	37	39	56,237	1,014,622	1,070,859
Southern China	5	66	71	124,523	1,625,136	1,749,659
Central China	9	50	59	262,506	1,305,069	1,567,575
Western China	4	12	16	178,609	284,518	463,127
Total	70	318	388	2,673,368	7,964,003	10,637,371

Notes:

(1) The Group's regional zoning is based on the national regional economic planning guidelines:

Eastern China:	Shanghai City, Zhejiang Province, Jiangsu Province
Northern China:	Beijing City, Tianjin City, Shandong Province, Hebei Province, Shanxi Province, Inner Mongolia Autonomous Region (West)
Northeastern China:	Jilin Province, Liaoning Province, Heilongjiang Province, Inner Mongolia Autonomous Region (North)
Southern China:	Guangdong Province, Guangxi Zhuang Autonomous Region, Fujian Province, Hainan Province, Yunnan Province, Guizhou Province
Central China:	Anhui Province, Hunan Province, Hubei Province, Henan Province, Jiangxi Province
Western China:	Sichuan Province, Gansu Province, Shaanxi Province, Chongqing City, Qinghai Province

(2) City tiers are classified based on the following standards:

First-tier cities:	Municipalities under the direct jurisdiction of the central government and Guangzhou City
Second-tier cities:	Provincial capitals and sub-provincial cities
Third-tier cities:	Prefecture-level cities
Fourth-tier cities:	County-level cities
Fifth-tier cities:	Townships and towns

Adjusted brands mix in gallery and improved customer shopping experiences

To improve the gallery's attractiveness to customers, the Group proactively sought new shops including trendy brands, baby brands and theme restaurants. The Group also increased the cooperation with well-known brands such as Starbucks coffee. The Group organized joint promotional activities with the gallery tenants. These coordinated promotional activities have helped improve both the tenants' sales and footfall in the hypermarkets. Meanwhile, to improve customers' shopping experience, the Group has put in place some free children's amusement parks and areas for interactive games and family entertainment.

Proactively sought solutions to expand store coverage and increase footfall

During the period under review, the Group's stores carried out a plan aiming to expand their respective catchment area so as to promote footfall. These measures included an in-depth analysis of customers' membership information to make communication more efficient, promoting delivery effectiveness for promotional leaflets, and increasing stops for free shuttle buses etc.

Meanwhile, to further expand the coverage of the stores in their catchment area, the Group proactively explored suitable marketing methods, such as using local public Wechat platforms to release promotional activities, use broadcasting trucks in rural areas, targeting at those customers who own a car and live far away from the stores. These market expansion measures, together with a flexible pricing strategy and interactive activities with customers have improved the effectiveness of the relationship between customers and stores.

Innovated in the purchasing methods and pushed forward direct sourcing

During the period under review, the Group's purchasing team conducted on-the-spot direct purchasing in vegetable wholesale markets, especially for the seasonal items and the merchandise with large quantities and at good prices. These occasional bulk purchases together with their promotion at stores have greatly motivated customers shopping in the stores.

The Group also increased the direct purchases of fresh produce from overseas, including durians from Thailand, oranges from US, as well as others. The Group maintained a pricing advantage over online sellers for hot selling items such as New Zealand Kiwis and US cherries and they both have shown very good progress in sales.

The Group further increased direct sourcing, including overseas sourcing. For example, through directly importing from Italy mineral water brand "ALLEGRA" at a competitive price, the Group catered for consumers' demand for high-end drinking water and achieved differentiation from our competitors.

Proactively adjusted merchandise mix to cater for new consumption demand

Based on the changes in consumer demand, the Group started to adjust the space allocation of different categories in its stores. For instance, around 600sq.m. floor space previously dedicated to appliances was re-allocated to Mass Consumer Products ("**MCP**") to expand imported foods, such as wines, milk products and health products, in a number of stores.

As customers are expecting more choices, the Group introduced more categories to enrich the merchandise mix, for example set up aside a specialized area for flour to cater for the increasing demand for home baking; set up an area for non-genetically modified cooking oil to cater for the demand for healthy food. Meanwhile, to overcome limitations of its shelf space, the Group changed the product offering in some categories on a more frequent basis.

To promote our dimsum section which is one of our strengths, the Group held food festivals such as "Chef's recommendation" and "Chinese time honored brand". Meanwhile the Group started the central kitchen program so as to standardize food taste and quality, optimize for store operations and save labor costs.

During the period under review, the Group continued to push ahead with the development of own brand product. It launched two brands "Actuel" for household and "Airport" for luggage in the period. The Group's own brand products attached greater importance to the design. Own brands have achieved very good sales growth in the Group's promotional activities thanks to its quality and competitive prices.

Diversified marketing campaigns

In light of the current depressed consumption sentiment and strong growth of online shopping, the Group launched a series of more diversified and precisely targeted marketing campaigns. For example, the Group took advantage of the excitement created by E-commerce players' promotions and launched the "6.17-6.18" crazy shopping festival. It also changed promotions from single items to heavier promotion on whole sections so as to strengthen its positioning as a discounter.

Constantly improved supply chain to enhance support to stores

During the period under review, the Group implemented a series of initiatives at the distribution centers ("**DCs**") to improve their efficiency. Through upgrading the order system, delivery appointment system and operating processes, the Group has made significant progress in lowering the rate of late deliveries and in reducing the waiting time of suppliers delivery trucks at DCs.

During the period under review, Auchan started to prepare a regional DC in Chengdu City, and RT-Mart's regional DC in Xiamen City commenced operations to serve stores in Fujian Province. Meanwhile, a regional DC of RT-Mart in Nanjing City commenced construction in April 2015 and is expected to be opened in January 2016.

Steadily developed E-commerce, launched O2O business by leveraging store network

Feiniu.com ("**Feiniu**") commenced its Online to Offline ("**O2O**") program in March 2015 by leveraging the Group's physical stores as dispatching points. Within two months, Feiniu achieved a nation wide coverage with this program.

By the end of July 2015, Feiniu has over 5.5 million registered members, of which over 1 million are active users within half a year. For the month of July, sales through mobile app accounted for 64%. In June 2015, Feiniu Mall, which is the marketplace platform of Feiniu, was officially launched. It will help improve the variety of Feiniu's offering.

The Group purchased www.fieldschina.com ("**Fields**") in April 2015, which will further enhance our development of the E-commerce area, in particular to address the needs of customers looking for fresh products of high quality and food safety.

Improved labor efficiency

As at 30 June 2015, the Group had 136,017 employees (including Feiniu and Fields). The Group has been implementing initiatives at store level to improve productivity such as training, process adjustments, utilization of self-weighing, self-payment machines. By the end of June 2015, average number of staff per store, calculated by total number of employee of Auchan and RT-Mart divided by average store number of the beginning and ending period, was down 7% compared to the same period of last year.

Outlook

Although GDP and retail growth have been slowing down, the growth of E-commerce has become a hot spot in the consumption environment. The rapid growth of E-commerce has been re-shaping consumers' shopping behavior and brought challenges to hypermarket model in regard to purchasing, marketing and supply chain management. To face these challenges, the Group has been and will continue to work hard to make innovations in every aspect of the business so as to adapt itself to the changing environment. Based on the Group's existing retail network and the established E-commerce platform, it will further explore synergies between them especially given the current trend of O2O. The Group will continue to expand its store network with prudence.

FINANCIAL REVIEW

Revenue

Revenue is derived from the sales of goods and rental income. The sales of goods is primarily derived from the hypermarkets and the E-commerce websites where merchandise, mainly food, groceries, home appliances, textile and general goods are for sale. The sales of goods is net of value added tax and other applicable sales taxes after deducting any trade discounts. Rental income is derived from renting gallery space in hypermarket complexes to operators of businesses which we believe are complementary to the stores.

The following table sets forth a breakdown of revenue from the sales of goods and rental income for the periods indicated:

	Six months ended 30 June		
	2015	2014	**Change**
	(RMB million)	*(RMB million)*	
	Unaudited	Unaudited	
Sales of goods	**49,193**	46,690	5.4%
Rental income	**1,515**	1,348	12.4%
Total revenue	**50,708**	48,038	5.6%

For the six months ended 30 June 2015, the sales of goods was RMB49,193 million, an increase of RMB2,503 million, or 5.4%, from RMB46,690 million for the corresponding period in 2014. The increase was primarily attributable to the continued business expansion of the Group with the opening of new stores[(1)] and the development of the E-commerce platform.

During the period from 1 July 2014 to 30 June 2015, the Group continued to expand in numerous areas in China by opening a total of 61 new stores with 45 in the second half of 2014 and 16 in the first half of 2015, respectively. The new stores contributed to the increase in sales of goods.

For the six months ended 30 June 2015, the Same Store Sales Growth ("**SSSG**")[(2)] was -3.4% compared to zero for the corresponding period in 2014. The decrease in SSSG was mainly due to the slower growth of the overall domestic consumer market as well as the intensified competition from other consumer channels.

Notes:

(1) New stores: stores opened during the period from 1 July 2014 to 30 June 2015.

(2) Same store sales growth: the growth rate of sales of the stores opened before 30 June 2014. It is calculated by comparing the sales derived from those stores during their operating periods in first half of 2014 with sales during the corresponding periods in 2015.

For the six months ended 30 June 2015, rental income was RMB1,515 million, an increase of RMB167 million, or 12.4%, from RMB1,348 million for the corresponding period in 2014. This increase was primarily attributable to an increase in rentable area from new stores and an increase in rental income from existing stores as a result of better management of tenant mix.

Gross profit

For the six months ended 30 June 2015, gross profit was RMB11,425 million, an increase of RMB902 million, or 8.6%, from RMB10,523 million for the corresponding period in 2014. The gross profit margin was 22.5% for the six months ended 30 June 2015, increasing by 0.6 percentage points from 21.9% for the corresponding period in 2014. The increase in our gross profit margin was the result of a greater increase in revenue of 5.6% as compared to the increase in cost of sales of 4.7%, reflecting the ability of the Group to leverage on economies of scale to improve the gross profit margin.

Other income

Other income mainly consists of income from disposal of packaging materials, interest income, service income, and government grants.

For the period ended 30 June 2015, the other income was RMB394 million, an increase of RMB6 million, or 1.5%, from RMB388 million for the corresponding period in 2014. The increase was primarily attributable to: (i) an increase in service income of RMB35 million, which mainly comprised of the income from parking and leasing of playgrounds for promotions; (ii) an increase in disposal of packaging materials of RMB9 million; and (iii) partially offset by a decrease in interest income of RMB37 million which was due to a decrease in the transaction amount of financial products during the period as well as the lower interest rate in the market.

Store operating costs

Store operating costs represent the costs attributable to the operations of the stores and the E-commerce business and primarily consist of personnel expenses, rental expenses, expenses for utilities, maintenance, advertising, shuttle bus services and cleaning, amortisation of land use rights, and depreciation of properties, plant and equipment.

For the six months ended 30 June 2015, the store operating costs were RMB8,350 million, an increase of RMB1,055 million, or 14.5%, from RMB7,295 million for the corresponding period in 2014.

The increase was primarily attributable to an increase in the number of stores in accordance with the on-going expansion of the Group's hypermarket network. More new staff have been recruited for the expansion of the hypermarket network and the development of the E-commerce business, which led to an increase in personnel expenses. Also, new stores, operated on leased or self-owned sites, resulted in an increase in rental expenses and amortisation and depreciation of land use rights, property, plant and equipment at these stores.

The amount of store operating costs for the period ended 30 June 2015 represented 16.5% of revenue, an increase of 1.3 percentage points, from 15.2% for the corresponding period in 2014. This increase was a result of a greater increase in store operating cost of 14.5% as compared to the increase in revenue of 5.6%.

Administrative expenses

Administrative expenses primarily consist of personnel expenses, travelling expenses, amortisation of land use rights, depreciation of properties, plant and equipment and other expenses for the administrative departments. For the six months ended 30 June 2015, the administrative expenses were RMB1,279 million, an increase of RMB158 million, or 14.1%, from RMB1,121 million for the corresponding period in 2014. The increase was primarily attributable to the increase in number of administrative staff to provide supportive services for the expanded network of hypermarket complexes and the E-commerce business.

The amount of administrative expenses for the period ended 30 June 2015 represented 2.5% of revenue, an increase of 0.2 percentage points, from 2.3% for the corresponding period in 2014. This increase was a result of a greater increase in administrative cost of 14.1% as compared to the increase in revenue of 5.6%.

Profit from operations

For the six months ended 30 June 2015, the profit from operations was RMB2,190 million, a decrease of RMB305 million, or 12.2%, from RMB2,495 million for the corresponding period in 2014. The operating margin was 4.3% for the six months ended 30 June 2015, a decrease of 0.9 percentage points, from 5.2% for the corresponding period in 2014. Despite the slower growth in overall consumer market, the Group continued the expansion of hypermarket complexes into new areas, together with the development of the E-commerce business. These activities resulted in a greater increase in expenses of 14.4% than the increase in gross profit of 8.6%, which led to a decrease in the operating margin.

Finance costs

Finance costs primarily consist of interest expenses on borrowings. For the six months ended 30 June 2015, the finance costs were RMB9 million, an increase of RMB2 million, or 28.6% from RMB7 million for the corresponding period in 2014. The increase is mainly due to the increase in bank borrowing in May and June 2015.

Income tax

For the six months ended 30 June 2015, the income tax expense was RMB659 million, a decrease of RMB40 million, or 5.7%, from RMB699 million for the corresponding period in 2014. The effective income tax rate was 30.2% for the six months ended 30 June 2015, increasing by 2.1 percentage points, compared to 28.1% for the corresponding period in 2014. The increase in effective tax rate was mainly attributable to the losses generated by certain legal entities opened in 2014 and 2015 and the E-commerce entities for which losses were unused and no deferred tax was recognised.

Profit for the period

For the six months ended 30 June 2015, the profit for the period was RMB1,522 million, with a decrease of RMB267 million, or 14.9%, from RMB1,789 million for the corresponding period in 2014. Net profit margin for the period ended 30 June 2015 was 3.0%, decreasing by 0.7 percentage points from 3.7% for the corresponding period in 2014. The decrease was primarily attributable to the decreasing operating margin and higher effective income tax rate for the period. The decrease of profit for the period would have been around 8.5%, had the losses occurred by the E-commerce entities been excluded.

Profit attributable to equity shareholders of the Company

For the six months ended 30 June 2015, the profit attributable to equity shareholders of the Company was RMB1,476 million, a decrease of RMB234 million, or 13.7%, from RMB1,710 million for the corresponding period in 2014.

Profit attributable to non-controlling interests

For the six months ended 30 June 2015, the profit attributable to non-controlling interests was RMB46 million, a decrease of RMB33 million, or 41.8%, from RMB79 million for the corresponding period in 2014. The profit attributable to non-controlling interests was attributable to: (i) interests in ACI and CIC from the Auchan Scheme and RT-Mart Scheme, and (ii) the interest held by independent third parties in three of the subsidiaries, People's RT-Mart Limited Jinan, Feiniu E-Commerce Hong Kong Limited ("**Feiniu HK**") and Fields Hong Kong Limited ("**Fields HK**").

Liquidity and financial resources

For the six months ended 30 June 2015, cash flow generated from operating activities was RMB4,122 million, an increase of RMB731 million, or 21.6%, from RMB3,391 million for the corresponding period in 2014. This increase was mainly attributable to the calendar difference in Chinese New Year, resulting in the working capital variation in prepaid card balance, inventory and trade payable turnovers.

As of 30 June 2015, the net current liabilities decreased to RMB10,235 million from RMB10,391 million as of 31 December 2014. This decrease was primarily attributed to: (i) a decrease in the current assets of RMB2,476 million, due to a reduced stock level as at 30 June 2015, partially offset by the increase in cash and cash equivalents and (ii) a decrease in trade and other payables of RMB3,177 million.

For the six months ended 30 June 2015, the inventory turnover days and trade payable turnover days were 43 days and 69 days, respectively, compared to 44 days and 69 days for the corresponding period of 2014, respectively.

Investments and time deposits represented the investments made by the Group in financial products issued by commercial banks and time deposits with the banks. These investments are principal guaranteed with maturity periods over three months from the date of issue.

Investing activities

For the six months ended 30 June 2015, cash flow used in investing activities was RMB2,551 million, with an increase of RMB767 million, or 43.0%, from RMB1,784 million for the six months ended 30 June 2014.

The cash flow used in investing activities mainly reflected the capital expenditure of RMB1,371 million for the six months ended 30 June 2015 in respect of the development of new stores and the remodelling of existing stores, as well as the settlement of the capital expenditure incurred in 2014 of RMB1,226 million. During the six months ended 30 June 2015, 16 new stores were opened in various areas in China.

Financing activities

For the six months ended 30 June 2015, cash flow used in financing activities was RMB450 million, a decrease of RMB1,639 million, or 78.5%, from RMB2,089 million for the six months ended 30 June 2014. This decrease was mainly attributable to: (i) a decrease in dividend distribution of RMB1,045 million and (ii) a net increase in bank borrowings of RMB597 million in 2015.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high corporate governance standards to safeguard the interests of the shareholders and to enhance corporate value and accountability.

The Company has devised its own Corporate Governance and Compliance Manual which incorporates all the principles and practices as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company reviews regularly its organizational structure to ensure operations are in line with the good corporate governance practices as set out in the CG Code and aligned with the latest developments.

In the opinion of the Board, the Company has complied with all the principles as set out in the CG Code for the six months ended 30 June 2015, save and except for code provision C.3.7 (a).

Code provision C.3.7 (a) provides that under the terms of reference of the Audit Committee, the Audit Committee should review arrangements that can be used by the employees in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Company had not established any formal arrangement for employees to raise concern about possible improprieties in financial reporting, internal control or other matters. In practice, employees have direct access to our internal audit department via either a telephone line or a mailbox. In addition, they have direct access by email to the executive Directors and the senior management. The Directors regularly receive and review monthly financial reports. The Directors, through the Audit Committee, meet quarterly with the Group's internal audit function, whose main responsibility is to review the internal control system of the Group. The Directors consider that the lack of such arrangements will not have a material effect on the functions of financial reporting, internal control or other related matters. The internal audit department, the Audit Committee and the Board will discuss the proper actions to deal with any issue reported by any employee about improprieties in financial reporting, internal control and other matters.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by the Directors and relevant employees on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code and the Company Code throughout the six months ended 30 June 2015.

PURCHASE, SALE AND REPURCHASE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

At the board meeting held on 12 August 2015, no dividend for the six months ended 30 June 2015 has been declared.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the six months ended 30 June 2015 and up to the latest practicable date prior to the printing of this report, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:–

Name of director/ chief executive	Name of corporation	Nature of interest	Total number of shares(1)	Approximate percentage shareholding of the relevant entity
Bruno, Robert MERCIER	Company	Beneficial owner	130,000 (L)	0.0014%
	Groupe Auchan S.A.(2)	Beneficial owner	501 (L)(4)	0.0016%
HUANG Ming-Tuan	Company	Beneficial owner, interest of spouse and interest in a controlled corporation (3)	117,234,074 (L)	1.2289%
CHENG Chuan-Tai	Company	Beneficial owner	6,000,000 (L)	0.0629%

Name of director/ chief executive	Name of corporation	Nature of interest	Total number of shares[(1)]	Approximate percentage shareholding of the relevant entity
Philippe, David BAROUKH	Groupe Auchan S.A.[(2)]	Beneficial owner	1,358 (L)[(5)]	0.0043%
			1,543 (L)[(6)]	0.0049%
			1,498 (L)[(7)]	0.0047%
			688 (L)[(8)]	0.0022%
Xavier, Marie, Alain DELOM de MEZERAC	Groupe Auchan S.A.[(2)]	Beneficial owner	2,287 (L)[(9)]	0.0072%
			772 (L)[(10)]	0.0024%
			712 (L)[(11)]	0.0022%
			459 (L)[(12)]	0.0015%
Desmond MURRAY	Company	Beneficial owner	55,000 (L)	0.0006%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) Groupe Auchan S.A. is a company incorporated in France and comprises various companies controlled by the Mulliez Family through which they conduct or pursue their various business interests in hypermarkets operations, supermarkets operations, real estate development, banking and e-commerce. Groupe Auchan S.A. is the holding company of Groupe Auchan, one of our two ultimate controlling shareholders. Groupe Auchan S.A. has adopted various share incentive plans pursuant to which share-based awards are granted to eligible directors and employees of Groupe Auchan S.A. and its subsidiaries. These share incentive plans include the following:

(i) Stock Option Plan (2015) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 23 June 2015 to 23 July 2015.

(ii) Stock Option Plan (2016) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 30 August 2016 to 30 September 2016.

(iii) Stock Option Plan (2017) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 30 August 2017 to 30 September 2017.

(iv) Stock Option Plan (2018) relating to the grant of options to subscribe for shares in Groupe Auchan S.A. with a vesting period from 29 August 2018 to 30 September 2018.

Note: With effect from 9 May 2012, the only class of shares issued by Groupe Auchan S.A. is ordinary shares as the restricted shares and Class S shares were converted to ordinary shares on 9 May 2012. The issued share capital of Groupe Auchan S.A. is 31,654,416 shares as at 30 June 2015.

(3) (i) Mr. HUANG Ming-Tuan holds 15,559,258 shares.

(ii) Ms. LEE Chih-Lan is the spouse of Mr. HUANG Ming-Tuan and holds 1,551,238 shares. Accordingly, Mr. HUANG Ming-Tuan is deemed to be interested in all of the shares held by Ms. LEE Chih-Lan.

(iii) Mr. HUANG Ming-Tuan is the legal and beneficial owner of the entire issued share capital of Victor Spring Ltd., a limited liability company incorporated in the British Virgin Islands. Accordingly, he is deemed to be interested in all of the 17,969,614 shares held by Victor Spring Ltd..

(iv) Mr. HUANG Ming-Tuan is the legal and beneficial owner of 50% of the share capital of Unique Grand Trading Ltd., a limited liability company incorporated in the British Virgin Islands, and Ms. LEE Chih-Lan, the spouse of Mr. HUANG Ming-Tuan holds the remaining 50%. Accordingly, he is deemed to be interested in all of the 82,153,964 shares held by Unique Grand Trading Ltd..

(4) This represents 501 shares in Groupe Auchan S.A..

(5) This represents 1,358 shares in Groupe Auchan S.A..

(6) This represents stock options in respect of 1,543 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2015).

(7) This represents stock options in respect of 1,498 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2016).

(8) This represents stock options in respect of 688 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2018).

(9) This represents 2,287 shares in Groupe Auchan S.A..

(10) This represents stock options in respect of 772 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2015).

(11) This represents stock options in respect of 712 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2017).

(12) This represents stock options in respect of 459 shares in Groupe Auchan S.A. granted pursuant to the Groupe Auchan S.A. Stock Option Plan (2018).

Save as disclosed above, so far as known to any Director, as at 30 June 2015, none of the directors or chief executives of the Company or any of their associates had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were required to be recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified by the Directors or chief executives to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 30 June 2015, the persons or corporations (other than Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company or its associated corporation(s) which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of interest	Number and class of shares [1]	Approximate percentage of shareholding
A-RT[2]	Beneficial owner	4,865,338,686 (L)	51.0009%
Auchan Hyper SA ("**Auchan Hyper**")[3]	Interest in a controlled corporation and beneficial owner	5,791,757,452 (L)[12]	60.7121%
Groupe Auchan S.A.[4]	Interest in a controlled corporation	5,791,757,452 (L)[12]	60.7121%
Au Marche S.A.S[5]	Interest in a controlled corporation	5,791,757,452 (L)[12]	60.7121%
Mulliez Family[6]	Interest in controlled corporations	5,791,757,452 (L)[12]	60.7121%
Kofu[7]	Beneficial owner	748,376,538 (L)[13]	7.8449%
CGC[8]	Beneficial owner	807,024,010 (L)[14]	8.4596%
Ruentex Industries[9]	Interest in a controlled corporation	807,024,010 (L)[14]	8.4596%
Ruentex Development[10]	Interest in controlled corporations	807,024,010 (L)[14]	8.4596%
Mr. YIN Chung Yao[11]	Interest in controlled corporations	748,376,538 (L)[13]	7.8449%

Notes:

(1) The letter "L" denotes long position in the shares.

(2) A-RT is 36.70% owned by Auchan Hyper, therefore Auchan Hyper is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.

The rest of shares of A-RT is 25.42% owned by CGC, 23.58% owned by Kofu and 14.30% owned by Monicole Exploitatie Maatschappij BV ("**Monicole BV**").

Monicole BV is a company incorporated in the Netherlands, which is indirectly wholly-owned by Auchan Hyper.

(3) Auchan Hyper is a company incorporated in France which is wholly-owned by Groupe Auchan S.A.. A-RT is 36.70% owned by Auchan Hyper, therefore Auchan Hyper is deemed to be interested in all the shares in which A-RT is interested in by virtue of Part XV of the SFO.

(4) Auchan Hyper is wholly-owned by Groupe Auchan S.A., therefore Groupe Auchan S.A. is deemed to be interested in all the shares in which Auchan Hyper is interested in by virtue of Part XV of the SFO.

(5) Groupe Auchan S.A. is 61.88% owned by Au Marche S.A.S, therefore Au Marche S.A.S is deemed to be interested in all the shares in which Groupe Auchan S.A. is interested in by virtue of Part XV of the SFO.

(6) Mulliez Family comprises the founder of Groupe Auchan (one of our two ultimate controlling shareholders, which is held by Groupe Auchan S.A.), Gerard Mulliez, and other members of the Mulliez family in France, who hold interests in various companies under Groupe Auchan S.A.. Au Marche S.A.S is wholly-owned by the Mulliez Family through certain intermediate holding companies. No one member of the Mulliez Family is able to exert a dominant influence over other members in their voting rights in Au Marche S.A.S. The Mulliez Family is collectively represented by a member of the family, who plays an administrative role and is similarly unable to exert a dominant influence over other members of the Mulliez Family and does not control Au Marche S.A.S.

(7) Kofu is a company incorporated in the British Virgin Islands, which is indirectly wholly-owned by Mr. YIN Chung Yao, and has a direct beneficial interest of 7.84% in the Company.

(8) CGC is a company incorporated in the British Virgin Islands and a company under Ruentex (Ruentex Development, Ruentex Industries, CGC and Kofu collectively) and has a direct beneficial interest of 8.46% in the Company.

(9) CGC is 42.25% owned by Ruentex Industries, therefore Ruentex Industries is deemed to be interested in all the shares in which CGC is interested in by virtue of Part XV of the SFO.

(10) CGC is 15.51% owned by Sinopac Global Investment Ltd. ("**Sinopac**") (a company indirectly owned as to 49.06% by Ruentex Industries and 49.06% by Ruentex Development and directly owned as to 1.886% by Kofu), and Sinopac is 49.06% owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the shares in CGC in which Sinopac is interested in by virtue of Part XV of the SFO. CGC is 25.46% owned by Ruentex Development. Therefore Ruentex Development is deemed to be interested in all the shares in which CGC is interested in by virtue of Part XV of the SFO.

(11) Kofu is wholly owned by Mr. YIN Chung Yao, through certain controlled corporations.

(12) Such 5,791,757,452 shares belong to the same batch of shares.

(13) Such 748,376,538 shares belong to the same batch of shares.

(14) Such 807,024,010 shares belong to the same batch of shares.

Save as disclosed above, as at 30 June 2015, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company or its associated corporation(s) which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

As at 30 June 2015, the shareholding interests of nine of the operating subsidiaries in the PRC are partially held by independent third parties. Those operating subsidiaries are Fields HK, Feiniu HK, RT-Mart Limited Shanghai, Jinan RT-Mart, Changshu Bairuenfa Hypermarket Co., Ltd., Shanghai Auchan Hypermarket Co., Ltd., Hangzhou Auchan Hypermarket Co., Ltd., Changzhou Immochan Real Estate Co., Ltd., and Wuxi Immochan Real Estate Co, Ltd..

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 29 June 2011 (the "**Deed of Non-competition**") entered into between A-RT, Auchan Hyper, Monicole BV, CGC, Kofu (collectively, the "**Controlling Shareholders**") and the Company, each of the Controlling Shareholders has undertaken to the Company that it will not and will use its best endeavour to procure that none of its affiliates will, among other things, carry on or engage in any business, which directly or indirectly, competes or is likely to compete with the operation of hypermarket complexes under the banners of "Auchan" and "RT-Mart" in the PRC, which comprise hypermarkets and retail galleries of individual retail stores.

To the best knowledge of the Directors, there is no breach of the Deed of Non-competition by the Controlling Shareholders during the six months ended 30 June 2015.

AUDIT COMMITTEE

The Company established an audit committee ("**Audit Committee**") on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to assist the Board in overseeing and reviewing (i) the effectiveness of the Company's internal control, risk management system and regulatory compliance of the Group; (ii) the balance, transparency and integrity of the Company's financial statements and application of financial reporting principle. The Audit Committee currently consists of five non-executive Directors, three of whom are independent. The members currently are Mr. CHENG Chuan-Tai, Mr. Xavier, Marie, Alain DELOM de MEZERAC, Ms. Karen Yifen CHANG, Mr. HE Yi and Mr. Desmond MURRAY. It is currently chaired by Mr. Desmond MURRAY, an independent non-executive Director. The Audit Committee has reviewed and discussed the unaudited consolidated financial statements for the six months ended 30 June 2015 and has met with the independent auditors, KPMG, who have reviewed the interim financial statements in accordance with Hong Kong Standard on Review Engagement 2410.

NOMINATION COMMITTEE

The Company established a nomination committee ("**Nomination Committee**") on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee currently consists of five non-executive Directors, three of whom are independent. The members currently are Mr. CHENG Chuan-Tai, Mr. Philippe, David BAROUKH, Ms. Karen Yifen CHANG, Mr. HE Yi and Mr. Desmond MURRAY. It is currently chaired by Mr. HE Yi, an independent non-executive Director.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("**Remuneration Committee**") on 27 June 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on our Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee currently consists of five non-executive Directors, three of whom are independent. The members currently are Mr. CHENG Chuan-Tai, Mr. Philippe, David BAROUKH, Ms. Karen Yifen CHANG, Mr. HE Yi and Mr. Desmond MURRAY. It is currently chaired by Ms. Karen Yifen CHANG, an independent non-executive Director.

OTHER CHANGES IN DIRECTOR'S INFORMATION

Other changes in Director's information of the Company are set out below:

- With effect from 25 June 2014, Mr. Philippe, David BAROUKH and Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ, the non-executive Directors, have been appointed as directors of RT-Mart International Limited.

- With effect from 5 March 2015, Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ has been appointed as director of Group Auchan S.A. and Auchan Hyper, the ultimate controlling shareholders of the Company.

- With effect from 2 April 2015, Mr. Bruno, Robert MERCIER and Mr. HUANG Ming-Tuan, the executive Directors, and Mr. Benoit, Claude, Francois, Marie, Joseph LECLERCQ, have been appointed as directors of Fields HK, a subsidiary of the Company.

Save for those disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Review Report to the Board of Directors of
Sun Art Retail Group Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 36 which comprises the consolidated statement of financial position of Sun Art Retail Group Limited as at 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – Unaudited

		Six months ended 30 June	
		2015	2014
	Note	***RMB million***	*RMB million*
Revenue	*3*	**50,708**	48,038
Cost of sales		**(39,283)**	(37,515)
Gross profit		**11,425**	10,523
Other income	*4*	**394**	388
Store operating costs		**(8,350)**	(7,295)
Administrative expenses		**(1,279)**	(1,121)
Profit from operations		**2,190**	2,495
Finance costs	*5(a)*	**(9)**	(7)
Profit before taxation	*5*	**2,181**	2,488
Income tax	*6*	**(659)**	(699)
Profit for the period		**1,522**	1,789
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**1,522**	1,789
Profit attributable to:			
Equity shareholders of the Company		**1,476**	1,710
Non-controlling interests		**46**	79
Profit for the period		**1,522**	1,789
Total comprehensive income attributable to:			
Equity shareholders of the Company		**1,476**	1,710
Non-controlling interests		**46**	79
Total comprehensive income for the period		**1,522**	1,789
Earnings per share			
Basic and diluted	*7*	**RMB0.15**	RMB0.18

The notes on pages 25 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – Unaudited

	Note	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Non-current assets			
Investment properties	8	**3,455**	3,529
Other property, plant and equipment	8	**21,254**	21,314
Land use rights	8	**5,281**	5,219
		29,990	30,062
Intangible assets		**43**	34
Goodwill	15	**181**	99
Interest in a joint venture		**3**	2
Unquoted available-for-sale equity security		**4**	4
Trade and other receivables	9	**619**	494
Deferred tax assets		**354**	305
		31,194	31,000
Current assets			
Inventories		**7,462**	11,161
Trade and other receivables	9	**4,025**	3,902
Investments and time deposits	10	**109**	131
Cash and cash equivalents	11	**7,371**	6,249
		18,967	21,443
Current liabilities			
Trade and other payables	12	**27,247**	30,424
Bank loans and overdrafts	13	**1,668**	898
Income tax payables		**287**	512
		29,202	31,834
Net current liabilities		**(10,235)**	(10,391)
Total assets less current liabilities		**20,959**	20,609
Non-current liabilities			
Other financial liabilities	15	**127**	50
Deferred tax liabilities		**57**	25
		184	75
Net assets		**20,775**	20,534

The notes on pages 25 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – Unaudited

	Note	**At 30 June 2015 RMB million**	At 31 December 2014 RMB million
Capital and reserves			
Share capital	*14*	**10,020**	10,020
Reserves		**9,830**	9,653
Total equity attributable to equity shareholders of the Company		**19,850**	19,673
Non-controlling interests		**925**	861
Total equity		**20,775**	20,534

Approved and authorised for issue by the Board of Directors on 12 August 2015.

Bruno, Robert MERCIER
Chief Executive Officer & Executive Director

HUANG Ming-Tuan
Executive Director

The notes on pages 25 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 – Unaudited

		Attributable to equity shareholders of the Company								
	Note	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Statutory reserve *RMB million*	Retained profits *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
Balance at 1 January 2014		2,721	7,299	2,166	44	769	5,749	18,748	633	19,381
Changes in equity for the six months ended 30 June 2014:										
Profit for the period		–	–	–	–	–	1,710	1,710	79	1,789
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	1,710	1,710	79	1,789
Share-based payments		–	–	2	–	–	–	2	–	2
Transition to no-par value regime on 3 March 2014	*14(a)*	7,299	(7,299)	–	–	–	–	–	–	–
Dividend declared in respect of the previous year	*14(b)*	–	–	–	–	–	(2,124)	(2,124)	–	(2,124)
Balance at 30 June 2014		10,020	–	2,168	44	769	5,335	18,336	712	19,048
Balance at 30 June 2014 and 1 July 2014		10,020	–	2,168	44	769	5,335	18,336	712	19,048
Changes in equity for the six months ended 31 December 2014:										
Profit for the period		–	–	–	–	–	1,198	1,198	55	1,253
Other comprehensive income		–	–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	1,198	1,198	55	1,253
Share-based payments		–	–	2	–	–	–	2	–	2
Cash injection from Employee Trust Benefit Schemes		–	–	146	–	–	–	146	77	223
Cash injection to a subsidiary		–	–	(9)	–	–	–	(9)	97	88
Profit appropriation		–	–	–	–	181	(181)	–	–	–
Dividends declared and payable to non-controlling share holders		–	–	–	–	–	–	–	(80)	(80)
Balance at 31 December 2014 and 1 January 2015		**10,020**	**–**	**2,307**	**44**	**950**	**6,352**	**19,673**	**861**	**20,534**
Changes in equity for the six months ended 30 June 2015:										
Profit for the period		**–**	**–**	**–**	**–**	**–**	**1,476**	**1,476**	**46**	**1,522**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**1,476**	**1,476**	**46**	**1,522**
Cash injection from Employee Trust Benefit Schemes		**–**	**–**	**1**	**–**	**–**	**–**	**1**	**2**	**3**
Acquisition of a subsidiary	*15*	**–**	**–**	**(77)**	**–**	**–**	**–**	**(77)**	**16**	**(61)**
Dividend declared in respect of the previous year	*14(b)*	**–**	**–**	**–**	**–**	**–**	**(1,223)**	**(1,223)**	**–**	**(1,223)**
Balance at 30 June 2015		**10,020**	**–**	**2,231**	**44**	**950**	**6,605**	**19,850**	**925**	**20,775**

The notes on pages 25 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015 – Unaudited

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Operating activities		
Cash generated from operations	**5,023**	4,278
Income tax paid	**(901)**	(887)
Net cash generated from operating activities	**4,122**	3,391
Investing activities		
Payment for the purchase of investment properties, other property, plant and equipment and land use rights	**(2,666)**	(2,732)
Payment for acquisition of a subsidiary, net of cash acquired	**(62)**	–
Other cash flows arising from investing activities	**177**	948
Net cash used in investing activities	**(2,551)**	(1,784)
Financing activities		
Dividends paid	**(1,216)**	(2,261)
Other cash flows arising from financing activities	**766**	172
Net cash used in financing activities	**(450)**	(2,089)
Net increase/(decrease) in cash and cash equivalents	**1,121**	(482)
Cash and cash equivalents at 1 January	**5,750**	6,271
Effect of foreign exchange rate changes	**–**	2
Cash and cash equivalents at 30 June	**6,871**	5,791

The notes on pages 25 to 36 form part of this interim financial report.

1 BASIS OF PREPARATION

Sun Art Retail Group Limited (the "**Company**") is a company incorporated in Hong Kong on 13 December 2000 with limited liability. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 July 2011. The interim financial report comprises the Company and its subsidiaries (together, the "**Group**"). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 12 August 2015. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 19.

The financial information relating to the year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap.32)).

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- *Annual Improvements to HKFRS 2010-2012 Cycle*
- *Annual Improvements to HKFRS 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

The principal activity of the Group is the operation of hypermarkets in the People's Republic of China ("**PRC**").

The Group is organised, for management purpose, into business units based on the banner under which the hypermarkets are operated. As all of the Group's hypermarkets are located in the PRC, have similar economic characteristics, and are similar in respect of products and services provided and customer type, the Group has one reportable operating segment which is the operation of hypermarkets in the PRC.

Revenue represents the sales value of goods supplied to customers and rental income from leasing areas in the hypermarket buildings. The amount of each significant category of revenue is as follows:

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Sale of goods	**49,193**	46,690
Rental income	**1,515**	1,348
	50,708	48,038

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues.

4 OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Service income	**98**	63
Disposal of packaging materials	**57**	48
Interest income	**154**	191
Government grants	**85**	86
	394	388

Government grants represent subsidies received from local authorities.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Interest expense on borrowings		
– wholly repayable within five years	**6**	4
– wholly repayable after five years	**3**	3
	9	7

(b) Staff costs

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Salaries, wages and other benefits	**3,585**	3,018
Contributions to defined contribution retirement plans	**413**	330
Contributions to Employee Trust Benefit Schemes (i)	**176**	184
Share-based payments	**3**	8
	4,177	3,540

(i) Contributions to Employee Trust Benefit Schemes

The Group has established an Employee Trust Benefit Scheme for employees of its subsidiary, Concord Investment (China) Co., Ltd. ("**CIC**") and its subsidiaries (the "**RT-Mart Scheme**") and an Employee Trust Benefit Scheme for employees of its subsidiary, Auchan (China) Hong Kong Limited ("**ACHK**") and its subsidiaries (the "**Auchan Scheme**"). Under each scheme, an annual profit sharing contribution, calculated based on the consolidated results of CIC for the RT-Mart Scheme, and on the consolidated results of ACHK for the Auchan Scheme, and the number of eligible employees, is payable to a trust, the beneficial interests in which are allocated to participating eligible employees in accordance with the relevant Employee Trust Benefit Scheme rules. The trusts are administered by independent trustees and invest the amounts received in either cash and cash equivalents ("**cash-like assets**") or equity of CIC in the case of the RT-Mart Scheme, or cash-like assets or equity of ACHK's subsidiary, Auchan (China) Investment Co., Ltd. ("**ACI**") in the case of the Auchan Scheme, respectively. The annual profit sharing contributions are accrued in the year in which the associated services are rendered by the eligible employees.

In addition to the annual profit sharing contributions made by the Group, subject to certain conditions, eligible employees are entitled to acquire additional beneficial interests in the relevant Employee Trust Benefit Scheme trust using their own funds.

Any excess of the capital injected by the trusts to CIC or ACI over the attributable share of their consolidated net assets acquired is credited to capital reserve within equity of the Group.

5 PROFIT BEFORE TAXATION (continued)

(c) Other items

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Cost of inventories	**39,181**	37,427
Depreciation	**1,362**	1,196
Amortisation	**90**	78
Operating lease charges	**1,336**	1,171
Loss on disposal of property, plant and equipment	**2**	6

6 INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Current tax-Hong Kong Profits Tax		
Provision for the period (i)	**1**	2
Current tax-PRC income tax		
Provision for the period	**674**	781
(Over)/Under provision in respect of prior years	**(1)**	11
	674	794
Deferred tax		
Reversal of temporary differences, net	**(15)**	(95)
	659	699

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Company and its subsidiaries incorporated in Hong Kong (2014: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(ii) All PRC subsidiaries are subject to income tax at 25% for the six months ended 30 June 2015 (2014: 25%) under the Enterprise Income Tax law ("**EIT law**") which was enacted on 16 March 2007.

(iii) The EIT law and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, on dividend distributions made out of the PRC from earnings accumulated from 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax.

(Expressed in Renminbi ("RMB") unless otherwise indicated)

6 INCOME TAX (continued)

(iii) (continued)

Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5% on dividends received.

On 12 July 2012, Announcement [2012] No. 30 (Announcement 30) dated 29 June 2012 was released by the State Administration of Taxation (SAT). Announcement 30 explicitly states that a company that is a tax resident of a Double Taxation Agreement (DTA) partner state and is listed in that jurisdiction (Listed Parent) will automatically satisfy the beneficial ownership criteria in respect of PRC dividends received. Furthermore, subsidiaries that are wholly owned by the Listed Parent, directly and/or indirectly, and are tax residents of the same DTA partner state, may also be automatically regarded as the beneficial owners of any PRC dividends they receive. Accordingly, dividends receivable by RT-Mart Holdings Limited and ACHK should be subject to 5% withholding tax rate.

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

As at 30 June 2015, deferred tax liabilities of RMB47 million (31 December 2014: RMB15 million) have been recognised in respect of the withholding tax payable on the retained profits of the Group's PRC subsidiaries generated subsequent to 1 January 2008 which the directors expect to distribute outside the PRC in the foreseeable future. The deferred tax liabilities as at 30 June 2015 and 31 December 2014 were calculated at the withholding tax rate of 5%.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,476 million (six months ended 30 June 2014: RMB1,710 million) and the weighted average of 9,539,704,700 ordinary shares (six months ended 30 June 2014: 9,539,704,700 ordinary shares) in issue during the interim period.

	2015	2014
Issued ordinary shares at 1 January and 30 June	**9,539,704,700**	9,539,704,700

There were no dilutive potential ordinary shares during the six months ended 30 June 2015 and 2014 and therefore diluted earnings per share is equivalent to basic earnings per share.

8 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

During the six months ended 30 June 2015, the Group incurred capital expenditure of RMB1,371 million (six months ended 30 June 2014: RMB1,803 million), primarily in respect of new store developments. Items of store and office equipment with a net book value of RMB3 million were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB8 million), resulting in a loss on disposal of RMB2 million (six months ended 30 June 2014: RMB6 million) (note 5(c)).

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Non-current		
Rental prepayments	**619**	494
Current		
Trade receivables	**171**	159
Amounts due from Contracted Stores	**–**	60
Amounts due from Contracted Store Owners	**71**	55
Other debtors	**755**	718
Value-added tax receivables	**459**	563
Prepayments:		
– rentals	**1,478**	1,311
– fixed assets	**1,091**	1,036
Sub-total	**4,025**	3,902
Trade and other receivables	**4,644**	4,396

The Group's trade receivables relate to credit card sales, the aging of which is within one month, and credit sales to corporate customers, the aging of which is within three months. Credit risk in respect of trade receivables is limited as the balances mainly arise from credit card sales. Credit terms are offered in rare cases to corporate customers with whom the Group has an established and ongoing relationship.

Contracted stores ("**Contracted Stores**") are hypermarkets operated by the Group through arrangements under which the hypermarket owner ("**Contracted Store Owner**") provides the store, equipment and facilities for use by the Group to carry out the Group's hypermarket business and in return is entitled to an annual fee, calculated as either a fixed amount or a fixed percentage of the store's sales revenue, and any remaining profit or loss relating to the operation of the store is attributable to the Group.

The amounts due from Contracted Store Owners comprise advances made by the Group to certain Contracted Store Owners and the Contracted Stores' profit attributable to the Group. These amounts are repayable on demand.

Rental prepayments may be offset against future rentals due to landlords of hypermarket premises leased by the Group in accordance with the relevant lease agreements.

Except for prepayments made for fixed assets which will be transferred to the relevant asset category upon receipt of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year.

10 INVESTMENTS AND TIME DEPOSITS

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Loans and receivables	50	30
Time deposits	59	101
	109	131

Loans and receivables represent short-term financial products issued by banks with guaranteed principals, fixed or determinable returns and with periods to maturity over three months from date of issue. Time deposits have original maturity over three months.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Deposits with banks within 3 months of maturity	93	323
Cash at bank and on hand	4,244	3,202
Other financial assets	3,034	2,724
Cash and cash equivalents in the consolidated statement of financial position	7,371	6,249
Bank overdrafts *(note 13)*	(500)	(499)
Cash and cash equivalents in the condensed consolidated cash flow statement	6,871	5,750

Other financial assets represent investments in short-term financial products issued by PRC commercial banks, with principals guaranteed, fixed or determinable returns and with periods to maturity less than 3 months from date of issue. As at 30 June 2015, the Group had other financial assets amounting to RMB500 million (31 December 2014: RMB500 million) secured to a bank for the bank overdrafts.

12 TRADE AND OTHER PAYABLES

	At 30 June 2015 ***RMB million***	At 31 December 2014 *RMB million*
Current		
Trade payables	**13,896**	16,192
Advance receipts from customers	**7,692**	7,774
Amounts due to related parties *(note 18)*	**152**	124
Construction costs payable	**1,549**	2,776
Amount due to Contracted Stores	**41**	–
Dividends payable	**82**	75
Accruals and other payables	**3,835**	3,483
Trade and other payables	**27,247**	30,424

All trade and other payables are expected to be settled within one year.

Advance receipts from customers mainly represent the unutilised balance of prepaid cards sold by the Group.

The amounts due to Contracted Stores as at 30 June 2015 included advance payment made by Contracted Stores in respect of purchase of goods, and offset by balance of prepaid cards sold by the Contracted Stores which may be used by customers to purchase goods in certain of the Group's other stores.

An ageing analysis of trade payables determined based on invoice date is as follows:

	At 30 June 2015 ***RMB million***	At 31 December 2014 *RMB million*
Due within 6 months	**13,747**	16,003
Due after 6 months but within 12 months	**149**	189
	13,896	16,192

13 BANK LOANS AND OVERDRAFTS

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Secured bank overdrafts *(note 11)*	**500**	499
Unsecured bank loans repayable within 1 year	**1,168**	399
	1,668	898

As at 30 June 2015, the Group had bank overdrafts facilities of RMB500 million (31 December 2014: RMB500 million) which were interest-free and secured by investments in short-term financial products with the same amount (31 December 2014: RMB500 million). The facilities were fully utilized as at 30 June 2015.

Bank loans were unsecured and carried interest at annual rate of 1.55% to 4.85% as at 30 June 2015. (31 December 2014: 1.55%)

14 SHARE CAPITAL AND DIVIDENDS

(a) Share capital

	At 30 June 2015		At 31 December 2014	
	No. of shares	***RMB million***	*No. of shares*	*RMB million*
Ordinary shares, issued and fully paid:				
At 1 January	**9,539,704,700**	**10,020**	9,539,704,700	2,721
Transition to no-par value regime on 3 March 2014 *(Note)*	**–**	**–**	–	7,299
At 30 June/31 December	**9,539,704,700**	**10,020**	9,539,704,700	10,020

Note: The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap.622) occurred automatically on 3 March 2014. On that date, the share premium account was subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been in accordance with the requirements of Parts 4 and 5 of the Ordinance.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14 SHARE CAPITAL AND DIVIDENDS (continued)

(b) Dividends

A final dividend of HKD0.28 (equivalent to RMB0.22) per ordinary share in respect of the year ended 31 December 2013 was approved on 14 May 2014, and the payment was made on 9 June 2014 for an amount equivalent to RMB2,124 million.

A final dividend of HKD0.16 (equivalent to RMB0.13) per ordinary share in respect of the year ended 31 December 2014 was approved on 14 May 2015, and payment was made on 9 June 2015.

No interim dividend has been declared in respect of the six months ended 30 June 2015.

15 BUSINESS COMBINATION

On 2 April 2015, the Group acquired Fields Hong Kong Limited ("**Fields HK**") for a total consideration of USD16.7 million (equivalent to RMB103 million) through the purchase of shares from existing shareholders and the subscription of new shares issued by Fields HK. Following these transactions, the Group holds 57.25% of share capital of Fields HK and has control over this entity. Goodwill arising from the acquisition of RMB82 million was recognised during the six months ended 30 June 2015. Fields HK is an enterprise incorporated in Hong Kong and engages in online food retail in mainland China through the website of "www.fieldschina.com". It is the aim of the Group to further strengthen its E-commerce business in PRC.

Meanwhile, the Group and some of the non-controlling shareholders entered into put and call option contracts. Pursuant to the contracts, the Group has been granted the right to purchase and the non-controlling shareholders have been granted the right to sell, the shares of Fields HK held by some of the non-controlling shareholders, at the pre-determined dates. The exercise prices are based on pre-defined calculation formula. The RMB77 million put option liabilities on non-controlling interests are measured at present value of exercise price and are recorded in "Other Financial Liabilities" as at 30 June 2015 with a corresponding amount debited to capital reserve within equity of the Group.

16 COMMITMENTS

Capital commitments outstanding and not provided for in the interim financial statements were as follows:

	At 30 June 2015 *RMB million*	At 31 December 2014 *RMB million*
Contracted for	**2,606**	2,797
Authorised but not contracted for	**2,545**	5,293
	5,151	8,090

On 26 May 2015, the Group entered into agreement with Banque Accord to acquire 51% equity interest in Oney Accord Business Consulting (Shanghai) Co., Ltd. ("**Oney Accord**") for RMB74.5 million. As at 30 June 2015, the acquisition of Oney Accord was not completed.

17 CONTINGENCIES

As at 30 June 2015, legal actions have commenced against the Group by certain customers, suppliers and landlords in respect of disputes on purchase agreements and lease agreements. The total amount claimed is RMB204 million (31 December 2014: RMB200 million). As at 30 June 2015, the legal actions were ongoing, with most of the actions not yet set for trial dates. Provision of RMB21 million (31 December 2014: RMB13 million) has been made within trade and other payables as at 30 June 2015, which the directors believe is adequate to cover the amounts, if any, payable in respect of these claims.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Short-term employee benefits	**28**	28
Post-employment benefits	**–**	1
Share-based payments	**1**	2
	29	31

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Related party transactions

In addition to the related party information disclosed elsewhere in the notes to the unaudited interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2015 and 2014.

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
Agency fees receivable (i)	**45**	28
Trademark fee payable (ii)	**13**	16
IT services fee payable (iii)	**4**	4
Expenses payable (iv)	**63**	38
Contributions to Employee Trust Benefit Schemes	**176**	184
Purchase of goods (v)	**1**	–
Oney card service fee (vi)	**4**	4

18 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(i) Agency fees receivable relate to amounts collected from international suppliers by Patinvest starting from March 2015 and Auchan International S.A. for prior periods on behalf of the Group, net of fees payable to Patinvest and Auchan International S.A., respectively.

(ii) Trademark fee payable represents the fee charged by Groupe Auchan S.A. for the grant of licenses to the Group to use the Auchan trademarks.

(iii) IT services fee payable represents the fee charged by Auchan International Technology for IT support and services provided.

(iv) Expenses payable primarily relate to personnel and administrative costs paid by subsidiaries of Groupe Auchan S. A. on behalf of the Group, which are reimbursed and expensed by the Group.

(v) This represents purchase of merchandise from Auchan International (Shanghai) International Trading Company Limited.

(vi) This represents the service fee charged by Oney Accord on provision of assistance on issuing and administration of prepaid cards and support for payment terminals.

(c) Related party balances

	At 30 June 2015 ***RMB million***	At 31 December 2014 *RMB million*
Amounts due from subsidiaries of Groupe Auchan S.A.	**95**	59
Amounts due to Groupe Auchan S.A. and its subsidiaries	**152**	124